

SEC Enforcement Case Summary

Misleading Fee Disclosures & Failure to Disclose Conflicts of Interest

On June 2, 2025, the Securities and Exchange Commission (**SEC**) charged investment adviser New Line Capital, LLC and its owner and managing member, David A. Nagler, for breaching their fiduciary duties and defrauding their advisory clients by making false and misleading fee disclosures and failing to disclose related conflicts of interest. New Line provided investment advisory services, which encompassed both investment advice and management of clients' investment portfolios, to a variety of clients including retirees and elderly persons,.

According to the SEC's complaint, the firm charged investment advisory clients annual advisory fees and hourly fees for its services. The SEC noted that New Line and Nagler falsely disclosed that they would "take care to assure" that annual advisory fees would not exceed 2% of a client's assets under management when, in fact, they did not make any efforts to limit advisory fees to 2% and charged numerous advisory clients more than 2%. The firm's investment advisory agreements included a fee table ranging from 1-1.5% depending on the level of assets under management with a \$10,000 minimum annual fee. The firm's Form ADV stated "Regarding our minimum fee, we take care to assure that our standard advisory fee does not compute to be greater than 2% per annum." However, the SEC noted that the firm did not maintain an internal database, spreadsheets, or other internal electronic records to track the percentage of advisory fees New Line charged clients on a yearly basis and did not undertake to assess whether the advisory fees they charged clients exceeded 2% per year. The complaint further noted that Defendants failed to disclose that Nagler used subjective criteria, such as how "demanding" he found a client, to determine the amount of advisory fees charged.

The SEC further alleged that New Line and Nagler misleadingly disclosed that New Line "may" offer hourly fee services when, in fact, New Line was providing such services without informing clients about those charges and without disclosing the financial conflicts of interest arising from their charging of hourly fees. The firm's Form ADV specifically noted "If an advisory client of New Line Capital, LLC wishes to make use of the consulting services of the firm, a specific agreement outlining the hourly fee and any additional expenses is attached to the client Agreement Package as Exhibit B-3. Any consulting service fees are in addition to any Investment Advisory Management fees." However, the SEC noted that no advisory agreements or other agreements signed by clients authorized the firm to deduct hourly fees from client accounts.

Nagler and New Line purportedly billed numerous clients' hourly fees without disclosing such fact to clients and without seeking or acquiring the clients' agreement to the fees for those specific services. The SEC's complaint noted that Nagler recorded the hourly fees he charged clients in handwritten notes that typically included the hours charged and a cursory description of the services purportedly rendered. The firm did not send invoices to clients; rather their brokerage statements included an aggregated amount of advisory fees paid, which was not itemized for the type of fee charged. The SEC noted that such reporting was not sufficient and that the firm did not adequately disclose its fee practices and related conflicts of interest. The case is being litigated.

See SEC Summary - <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26319>